

CITY OF SUMNER, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2020

Table of Contents

	<u>Page</u>
Officials.....	1
Independent Auditor's Report.....	2-4
Management's Discussion and Analysis	5-10
 Basic Financial Statements:	
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	11
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Governmental Funds.....	12
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Enterprise Funds.....	13
Notes to the Financial Statements.....	14-26
 Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	27
Notes to Other Information – Budgetary Reporting.....	28
Schedule of the City's Proportionate Share of the Net Pension Liability	29
Schedule of City Contributions	30
Notes to Other Information – Pension Liability.....	31
 Supplementary Information:	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	32
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Enterprise Funds	33
Schedule of Indebtedness.....	34
Bond Maturities	35-36
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds.....	37
 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
Schedule of Findings.....	40-42

City of Sumner

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Waskow	Mayor	Jan 2020
Jeffrey P. Smith	Mayor Pro Tem	Jan 2022
Mary Burgart	Council Member	Jan 2020
Linda Meier	Council Member	Jan 2020
Darren Paulus	Council Member	Jan 2022
David Priebe	Council Member	Jan 2022
Lisa Oberbroeckling	City Clerk	Indefinite
Taylor Reinking	Treasurer	Indefinite
Pat Dillon	Attorney	Indefinite

(After January 2020)

Jeffrey P. Smith	Mayor	Jan 2024
George Heying	Mayor Pro Tem	Jan 2024
Brian Bockhaus	Council Member	Jan 2022
Brock Rettinger	Council Member	Jan 2024
Darren Paulus	Council Member	Jan 2022
David Priebe	Council Member	Jan 2022
Lisa Oberbroeckling	City Clerk	Indefinite
Taylor Reinking	Treasurer	Indefinite
Pat Dillon	Attorney	Indefinite

City of Sumner

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:
City of Sumner, Iowa

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sumner, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include financial data for the Sumner Municipal Light Plant (Utility), a legally separate entity which should be reported as a discretely presented component unit, because the Utility's year end is December 31, and it reports on the accrual basis of accounting. The amount by which this departure affects the receipts, disbursements and cash balances of the aggregate discretely presented component units has not been determined.

Qualified Opinion

In my opinion, because of the significance of the matter discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements do not present fairly the cash basis financial position of the aggregate discretely presented component units as of June 30, 2020, and the respective changes in the cash basis financial position of the aggregate discretely presented component units for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sumner as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial statements for the eight years ended June 30, 2018 (which are not presented herein) were audited by other auditors who expressed an adverse opinion on the discretely presented component units due to the omission of the Sumner Municipal Light Plant from the City's financial statements and unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the two years ended June 30, 2018 and June 30, 2017 and unmodified opinions on the governmental activities, the business type activities, each major enterprise fund and the aggregate remaining fund information of the City's financial statements for the six years ended June 30, 2016. These financial statements were prepared on the basis of cash receipts and disbursements. The supplementary information included on pages 32 through 37, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

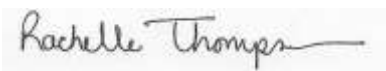
To the Honorable Mayor and
Members of the City Council
City of Sumner, Iowa
Page 3

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, management's discussion and analysis, the budgetary comparison information, the schedule of the City's proportionate share of the net pension liability and the schedule of city contributions on pages 5 through 10 and 27 through 31, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 2020 on my consideration of the City of Sumner's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sumner's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rachelle Thompson". The signature is written in dark ink on a light-colored background.

RACHELLE K. THOMPSON, CPA
Hampton, Iowa

December 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sumner provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 271.8%, or approximately \$4.9 million from fiscal year 2019 to fiscal year 2020. This was due primarily to issuing \$4,321,895 in loans and bonds for the purpose of constructing wastewater improvements, detention basins and demolition of flood damaged properties.
- Disbursements of the City's governmental activities increased 89.0%, or approximately \$2.2 million in fiscal year 2020 from fiscal year 2019, due to construction costs on capital projects.
- The City's total cash basis net position increased 90.1%, or approximately \$2.0 million, from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased approximately \$1.9 million, and the cash basis net position of the business type activities increased approximately \$62,000. The increase in the governmental balance can be attributed to issuing loans and bonds during the fiscal year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a cash basis statement of activities and net position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The cash basis statement of activities and net position reports information which helps answer this question.

The cash basis statement of activities and net position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The cash basis statement of activities and net position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business type activities include the waterworks, the sanitary sewer system and garbage. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's enterprise funds. Enterprise funds are used to report business type activities. The City maintains four enterprise funds to provide separate information for the Water, Sewer, Garbage and Stormwater Funds. Water and Sewer are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased during FY20, from \$1,789,381 to \$3,755,707. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2020	2019
Receipts		
Program Receipts		
Charges for service	\$ 47,590	\$ 92,911
Operating grants, contributions and restricted interest	365,456	322,261
Capital grants, contributions and restricted interest	504,407	-
General receipts		
Property tax, including tax increment financing	967,602	952,429
Local option sales tax	235,544	203,308
Unrestricted interest on investments	21,680	21,957
Bond and loan proceeds	4,321,895	-
Other general receipts	223,151	205,739
Total Receipts	6,687,325	1,798,605
Disbursements		
Public safety	398,806	314,204
Public works	435,893	469,862
Culture and recreation	443,977	537,715
Community and economic development	820,755	140,635
General government	406,221	402,563
Debt service	64,145	139,925
Capital projects	2,080,643	455,380
Total Disbursements	4,650,440	2,460,284
Change in Cash Basis Net Position Before Transfers	2,036,885	(661,679)
Transfers, net	(70,559)	8,326
Change in Cash Basis Net Position	1,966,326	(653,353)
Cash Basis Net Position, Beginning of Year	1,789,381	2,442,734
Cash Basis Net Position, End of Year	\$ 3,755,707	\$ 1,789,381

The City's total receipts for governmental activities increased 271.8%, or approximately \$4.9 million over the prior year. The total cost of all programs and services increased approximately \$2.2 million, or 89.0%, with no new programs added this year. The increase in total costs can be attributed to construction costs in the Capital Projects Funds.

The cost of all governmental activities this year was approximately \$4.7 million compared to approximately \$2.5 million last year. However, as shown in the statement of activities and net position on page 11, the amount taxpayers ultimately financed for these activities was approximately \$3.7 million because some of the cost was paid by those directly benefiting from the programs (approximately \$48,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$870,000). The City paid

for the remaining “public benefit” portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2020 from approximately \$415,000 to approximately \$917,000, principally due to FEMA funds being disbursed to the City.

Changes in Cash Basis Net Position of Business-Type Activities		
	Year ended June 30,	
	2020	2019
Receipts		
Program receipts		
Charges for service		
Water	\$ 247,229	\$ 255,286
Sewer	472,003	467,239
Sanitation	227,163	254,411
Storm water	72,040	-
General receipts		
Unrestricted interest on investments	2,768	2,554
Bond proceeds	-	5,000
Interfund loan proceeds	28,454	-
Other general receipts	31,942	-
Total Receipts	1,081,599	984,490
Disbursements		
Water	397,826	295,338
Sewer	483,090	484,533
Sanitation	178,053	238,056
Storm water	2,311	-
Total Disbursements	1,061,280	1,017,927
Change in Cash Basis Net Position Before Transfers	20,319	(33,437)
Transfers, net	42,105	(8,326)
Change in Cash Basis Net Position	62,424	(41,763)
Cash Basis Net Position, Beginning of Year	462,395	504,158
Cash Basis Net Position, End of Year	\$ 524,819	\$ 462,395

Total business type activities receipts for the fiscal year were approximately \$1,082,000 compared to approximately \$984,000 last year. This increase was due primarily to the new storm water fees. The cash balance increased approximately \$62,000 over the prior year. Total disbursements for the fiscal year increased 4.26%, or approximately \$43,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sumner completed the year, its governmental funds reported a combined fund balance of \$3,755,707, an increase of \$1,966,326 from last year’s total of \$1,789,381. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$172,184 from the prior year to \$816,564. This increase was primarily due to receipt of federal and state grants and interfund loan repayments.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$422,327 to \$142,134. The decrease was due primarily to transfers to other funds.
- The Capital Projects, 2017 Flood Fund cash balance increased \$467,186 to \$440,921. The increase was due to a \$499,695 FEMA community disaster loan received.
- The Capital Projects, Detention Basin Fund cash balance increased \$1,852,265 to \$1,852,265 during the year. This was due to bond proceeds not expended prior to year end.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$58,333 to \$145,669 due primarily to the purchase of private water shut off valves/connections not covered by SRF funds.
- The Enterprise, Sewer Fund cash balance decreased \$14,624 to \$163,464 due primarily to additional expenses of rebuilding equipment at the plant.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 18, 2020 and resulted in an increase in public safety, public works, culture and recreation general government, capital projects and business type activities functions. Reasons for the amendment include training costs in public safety, engineering fees in public works, library and aquatic completed major maintenance projects, significant increase in workers comp premiums, water project and detention basin work in capital projects and the first SRF debt payment came due in the enterprise funds.

The City's receipts were approximately \$262,000 more than budgeted. This was primarily due to insurance proceeds, insurance rebates and several large contributions.

Actual disbursements for the public safety, culture and recreation, debt service and capital projects functions were \$25,844, \$231,598, \$49,865, and \$617,911, respectively, less than the amended budget. This was due to expenses delayed until the next fiscal year.

DEBT ADMINISTRATION

At June 30, 2020, the City had \$6,785,895 of bonds and other long-term debt outstanding, compared to \$2,835,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2020	2019
General obligation bonds	\$ 3,075,000	\$ 400,000
Community Disaster loan	1,349,695	900,000
Revenue bonds	2,361,200	1,535,000
Total Debt	\$ 6,785,895	\$ 2,835,000

Debt increased as a result of debt issued during the year totaling \$4,321,895.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's

outstanding general obligation and tax increment financing debt of \$3,075,000 is significantly below its constitutional debt limit of \$5,272,012. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Sumner's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates and fees charged for various City activities.

Budgeted revenue for fiscal year 2021 is \$3,698,128, a decrease of 57.7% under the final 2020 budget and 56.4% under the final 2020 actual revenue. Budgeted disbursements are expected to increase by approximately \$302,000 when compared to the final 2020 budget for a total of \$6,256,980 for fiscal year 2021.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Oberbroeckling, City Clerk, 105 East First Street, Sumner, Iowa.

Basic Financial Statements

City of Sumner - Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental Activities							
Public safety	\$ 398,806	\$ -	\$ 14,200	\$ -	\$ (384,606)	\$ -	\$ (384,606)
Public works	435,893	-	260,676	-	(175,217)	-	(175,217)
Culture and recreation	443,977	26,585	90,580	-	(326,812)	-	(326,812)
Community and economic development	820,755	-	-	504,407	(316,348)	-	(316,348)
General government	406,221	21,005	-	-	(385,216)	-	(385,216)
Debt service	64,145	-	-	-	(64,145)	-	(64,145)
Capital projects	2,080,643	-	-	-	(2,080,643)	-	(2,080,643)
Total Governmental Activities	4,650,440	47,590	365,456	504,407	(3,732,987)	-	(3,732,987)
Business Type Activities							
Water	397,826	247,229	-	-	-	(150,597)	(150,597)
Sewer	483,090	472,003	-	-	-	(11,087)	(11,087)
Sanitation	178,053	227,163	-	-	-	49,110	49,110
Storm water	2,311	72,040	-	-	-	69,729	69,729
Total Business Type Activities	1,061,280	1,018,435	-	-	-	(42,845)	(42,845)
Total	5,711,720	1,066,025	365,456	504,407	(3,732,987)	(42,845)	(3,775,832)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					829,359	-	829,359
Debt service					46,810	-	46,810
Tax increment financing					91,433	-	91,433
Local option sales tax					235,544	-	235,544
Unrestricted interest on investments					21,680	2,768	24,448
Bond and loan proceeds					4,321,895	-	4,321,895
Interfund loan repayment (payment)					(28,454)	28,454	-
Bond premium					44,340	-	44,340
Miscellaneous					178,811	31,942	210,753
Transfers					(42,105)	42,105	-
Total General Receipts and Transfers					5,699,313	105,269	5,804,582
Change in cash basis net position					1,966,326	62,424	2,028,750
Cash Basis Net Position Beginning of Year					1,789,381	462,395	2,251,776
Cash Basis Net Position End of Year					\$ 3,755,707	\$ 524,819	\$ 4,280,526
Cash Basis Net Position							
Restricted:							
Nonexpendable - Cemetery Perpetual Care					\$ 76,286	\$ -	\$ 76,286
Expendable:							
Streets					204,352	-	204,352
Urban renewal purposes					83,101	-	83,101
Debt service					10,699	71,481	82,180
Other purposes					2,564,705	52,260	2,616,965
Unrestricted					816,564	401,078	1,217,642
Total Cash Basis Net Position					\$ 3,755,707	\$ 524,819	\$ 4,280,526

See notes to financial statements.

City of Sumner - Statement of Cash Receipts, Disbursements and Changes in Cash Balances -- Governmental Funds

As of and for the year ended June 30, 2020

		Special Revenue	Capital Projects			
	General	Local Option Sales Tax	2017 Flood	Detention Basin	Nonmajor Governmental	Total
Receipts						
Property tax	\$ 633,814	\$ -	\$ -	\$ -	\$ 242,357	\$ 876,171
Tax increment financing	-	-	-	-	91,433	91,433
Other city tax	-	235,544	-	-	-	235,544
Licenses and permits	21,005	-	-	-	-	21,005
Use of money and property	14,022	5,717	-	1,198	745	21,682
Intergovernmental	25,476	-	504,407	-	260,676	790,559
Charges for services	84,558	-	-	-	-	84,558
Miscellaneous	142,096	-	56,042	-	2,000	200,138
Total Receipts	920,971	241,261	560,449	1,198	597,211	2,321,090
Disbursements						
Operating:						
Public safety	330,217	-	-	-	68,589	398,806
Public works	39,005	-	-	-	396,888	435,893
Culture and recreation	381,564	-	-	-	62,413	443,977
Community and economic development	-	-	820,755	-	-	820,755
General government	356,916	-	-	-	49,305	406,221
Debt service	-	-	-	-	64,145	64,145
Capital projects	-	316,464	-	1,764,179	-	2,080,643
Total Disbursements	1,107,702	316,464	820,755	1,764,179	641,340	4,650,440
Deficiency of Receipts Under Disbursements	(186,731)	(75,203)	(260,306)	(1,762,981)	(44,129)	(2,329,350)
Other Financing Sources (Uses)						
Bond proceeds	-	-	-	3,822,200	-	3,822,200
Community disaster loan	-	-	499,695	-	-	499,695
Premium on bonds	-	-	-	44,340	-	44,340
Interfund loan repayment (payment)	31,760	-	-	-	(60,214)	(28,454)
Transfers in	327,555	-	227,797	61,441	17,211	634,004
Transfers out	(400)	(347,124)	-	(312,735)	(15,850)	(676,109)
Total Other Financing Sources (Uses)	358,915	(347,124)	727,492	3,615,246	(58,853)	4,295,676
Change in Cash Balances	172,184	(422,327)	467,186	1,852,265	(102,982)	1,966,326
Cash Balances Beginning of Year	644,380	564,461	(26,265)	-	606,805	1,789,381
Cash Balances End of Year	\$ 816,564	\$ 142,134	\$ 440,921	\$ 1,852,265	\$ 503,823	\$ 3,755,707
Cash Basis Fund Balances						
Non-spendable-Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ 76,286	\$ 76,286
Restricted for:						
Debt service	-	-	-	-	10,699	10,699
Streets	-	142,134	-	-	62,218	204,352
Urban renewal	-	-	-	-	83,101	83,101
Other purposes	-	-	440,921	1,852,265	271,519	2,564,705
Unassigned	816,564	-	-	-	-	816,564
Total Cash Basis Fund Balances	\$ 816,564	\$ 142,134	\$ 440,921	\$ 1,852,265	\$ 503,823	\$ 3,755,707

See notes to financial statements.

City of Sumner - Statement of Cash Receipts, Disbursements and Changes in Cash Balances -- Enterprise Funds

As of and for the year ended June 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor</u>	<u>Total</u>
Operating Receipts:				
Charges for Service	<u>\$ 247,229</u>	<u>\$ 472,003</u>	<u>\$ 299,203</u>	<u>\$ 1,018,435</u>
Operating Disbursements:				
Business Type Activities	<u>327,219</u>	<u>253,390</u>	<u>180,364</u>	<u>760,973</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(79,990)</u>	<u>218,613</u>	<u>118,839</u>	<u>257,462</u>
Non-Operating Receipts (Disbursements)				
Interest on investments	594	2,174	-	2,768
Miscellaneous	7,900	-	24,042	31,942
Interfund loan repayment	28,454	-	-	28,454
Debt service	<u>(70,607)</u>	<u>(229,700)</u>	<u>-</u>	<u>(300,307)</u>
Net Non-Operating Receipts (Disbursements)	<u>(33,659)</u>	<u>(227,526)</u>	<u>24,042</u>	<u>(237,143)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(113,649)</u>	<u>(8,913)</u>	<u>142,881</u>	<u>20,319</u>
Other Financing Sources (Uses)				
Transfers in	82,900	1,789	-	84,689
Transfers out	<u>(27,584)</u>	<u>(7,500)</u>	<u>(7,500)</u>	<u>(42,584)</u>
Total Other Financing Sources (Uses)	<u>55,316</u>	<u>(5,711)</u>	<u>(7,500)</u>	<u>42,105</u>
Change in Cash Balances	<u>(58,333)</u>	<u>(14,624)</u>	<u>135,381</u>	<u>62,424</u>
Cash Balances Beginning of Year	<u>204,002</u>	<u>178,088</u>	<u>80,305</u>	<u>462,395</u>
Cash Balances End of Year	<u><u>\$ 145,669</u></u>	<u><u>\$ 163,464</u></u>	<u><u>\$ 215,686</u></u>	<u><u>\$ 524,819</u></u>
Cash Basis Fund Balances				
Restricted for other purposes	\$ 52,260	\$ 71,481	\$ -	\$ 123,741
Unassigned	<u>93,409</u>	<u>91,983</u>	<u>215,686</u>	<u>401,078</u>
Total Cash Basis Fund Balances	<u><u>\$ 145,669</u></u>	<u><u>\$ 163,464</u></u>	<u><u>\$ 215,686</u></u>	<u><u>\$ 524,819</u></u>

See notes to financial statements.

City of Sumner – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Sumner is a political subdivision of the State of Iowa located in Bremer and Fayette Counties. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, public improvements and general government services. The City also provides water, sewer, and sanitation utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Sumner has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Except as noted, these financial statements present the City of Sumner (the primary government), and its component units. The financial statements do not include financial data for Sumner Municipal Light Plant (Utility), a legally separate entity which should be reported as a discretely presented component unit, because the Utility reports in accordance with accounting principal generally accepted in the United States, a different financial reporting framework than the City's cash basis of accounting.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Bremer County Assessor's Conference Board, Bremer County Emergency Management and East Bremer Regional Recycling Association.

Basis of Presentation

Government-wide Financial Statement – The cash basis statement of activities and net position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The cash basis statement of activities and net position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's permanent fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

City of Sumner – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The cash basis statement of activities and net position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue

The *Local Option Sales Tax Fund* is used to account for the collection of the one percent sales tax and its uses.

Capital Projects

The *2017 Flood Fund* is used to account for all resources used in the acquisition and demolition of property damaged in the 2017 flood.

The *Detention Basin Fund* is used to account for all resources used in the acquisition and construction of street, water system, storm water drainage, sidewalk and sanitary sewer improvements.

The City reports the following major proprietary funds:

The *Enterprise, Water Fund* accounts for the operation and maintenance of the City's water system.

The *Enterprise, Sewer Fund* accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States.

City of Sumner – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government and business type activities functions.

Estimates and Assumptions

The preparation of the financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amount of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

City of Sumner – Notes to the Financial Statements

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the City had only checking and savings accounts and certificates of deposit.

(3) Bonds and Loans Payable

A summary of changes in bonds and loans payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities					
General Obligation Bonds	\$ 400,000	\$ 2,730,000	\$ 55,000	\$ 3,075,000	\$ 170,000
Community Disaster Loans	900,000	499,695	50,000	1,349,695	50,000
Internal Loans	89,004	-	60,214	28,790	28,790
Governmental activities total	\$ 1,389,004	\$ 3,229,695	\$ 165,214	\$ 4,453,485	\$ 248,790
Business type activities					
Sewer Revenue Bonds	\$ 1,530,000	\$ -	\$ 199,000	\$ 1,331,000	\$ 206,000
Water Revenue Bonds	-	1,092,200	62,000	1,030,200	46,333
Business type activities total	\$ 1,530,000	\$ 1,092,200	\$ 261,000	\$ 2,361,200	\$ 252,333

General Obligation Corporate Purpose Bonds

A summary of the City's June 20, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose, Series 2015 Issued October 21, 2015			Urban Renewal, 2020A Issued March 31, 2020			Corporate Purpose, 2020B Issued March 31, 2020			Total	
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2021	1.80%	\$ 55,000	\$ 7,275	2.00%	\$ 115,000	\$ 46,778	1.20%	\$ -	\$ 14,302	\$ 170,000	\$ 68,355
2022	1.80%	55,000	6,285	2.00%	125,000	37,700	1.20%	55,000	12,230	235,000	56,215
2023	2.10%	55,000	5,295	2.00%	125,000	35,200	1.20%	55,000	11,570	235,000	52,065
2024	2.10%	60,000	4,140	2.00%	130,000	32,700	1.30%	55,000	10,910	245,000	47,750
2025	2.40%	60,000	2,880	2.00%	135,000	30,100	1.30%	55,000	10,195	250,000	43,175
2026-2030	2.40%	60,000	1,440	2.00%	720,000	109,000	1.40-2.00%	305,000	37,920	1,085,000	148,360
2031-2034	-	-	-	2.00%	650,000	33,000	2.00%	205,000	8,300	855,000	41,300
Total		<u>\$ 345,000</u>	<u>\$ 27,315</u>		<u>\$ 2,000,000</u>	<u>\$ 324,478</u>		<u>\$ 730,000</u>	<u>\$ 105,427</u>	<u>\$ 3,075,000</u>	<u>\$ 457,220</u>

City of Sumner – Notes to the Financial Statements

(3) Bonds and Loans Payable

The City issued \$550,000 of general obligation corporate purpose bonds, series 2015 in October 2015, for the purpose of constructing water system improvements and constructing, furnishing and equipping a municipal building and recycling center. Interest rates on the notes varies between 1.80% and 2.40%. During the year ended June 30, 2020, the City paid 55,000 of principal and \$8,045 of interest on the bonds.

The City issued \$2,000,000 of general obligation urban renewal bonds, series 2020A in March 2020, for the purpose of constructing street, water system, storm water drainage, sidewalk and sanitary sewer improvements, acquiring and installing street lighting, signage and signalization improvements, and acquiring, demolishing and restoring flood-damaged and dilapidated properties. Interest rates on the notes are 2.00%. During the year ended June 30, 2020, the City did not pay any principal or interest on the bonds.

The City issued \$730,000 of general obligation corporate purpose bonds, series 2020B in March 2020, for the purpose of constructing street, water system, storm water drainage, sidewalk and sanitary sewer improvements, acquiring and installing street lighting, signage and signalization improvements, and acquiring, demolishing and restoring flood-damaged and dilapidated properties. Interest rates on the notes varies between 1.20% and 2.00%. During the year ended June 30, 2020, the City did not pay any principal or interest on the bonds.

Community Disaster Loans

A summary of the City's June 30, 2020 community disaster loans payable is as follows:

Year Ending June 30,	Community Disaster Loan Issued September 18, 2017			Community Disaster Loan Issued January 21, 2020			Total	
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2021	0.00%	\$ 50,000	\$ -	0.00%	\$ -	\$ -	\$ 50,000	\$ -
2022	0.00%	50,000	-	0.00%	499,695	-	549,695	-
2023	0.00%	50,000	-	0.00%	-	-	50,000	-
2024	0.00%	50,000	-	0.00%	-	-	50,000	-
2025	0.00%	50,000	-	0.00%	-	-	50,000	-
2026-2030	0.00%	250,000	-	0.00%	-	-	250,000	-
2031-2035	0.00%	250,000	-	0.00%	-	-	250,000	-
2036-2037	0.00%	100,000	-	0.00%	-	-	100,000	-
Total		<u>\$ 850,000</u>	<u>\$ -</u>		<u>\$ 499,695</u>	<u>\$ -</u>	<u>\$ 1,349,695</u>	<u>\$ -</u>

On July 22, 2017, a flood caused the Sumner Municipal Light Plant (SMLP), a component unit of the City, to suffer damage and lost its ability to provide electricity to the City. In order for the City to help with the electrical needs of the residents and businesses, it borrowed \$1,000,000 from the State of Iowa Economic Emergency Fund on September 18, 2017 and then loaned the money to the SMLP. The loan is to be repaid over the next twenty years at \$50,000 per year with no interest. The SMLP will repay the loan to the City under the same terms. During the year ended June 30, 2020, the City paid \$50,000 of principal and was reimbursed the same amount from SMLP.

As a result of the flood on July 22, 2017, the City also received a zero interest \$499,695 community disaster loan through the Federal Emergency Management Agency (FEMA) in January 2020. The loan covers lost revenue in the three fiscal years succeeding the disaster. FEMA will monitor the City's revenue through June 30, 2021, and if operating revenue is within FEMA's guidelines, the loan will be forgiven. During the year ended June 30, 2020, the City did not pay any principal or interest on this loan.

City of Sumner – Notes to the Financial Statements

(3) Bonds and Loans Payable

Revenue Bonds

A summary of the City's June 30, 2020 revenue bonds payable is as follows:

Year Ending June 30,	Sewer Revenue, Series 2003 Issued October 27, 2003			Sewer Revenue, Series 2016 Issued April 8, 2016			Water Revenue, Series 2019 Issued October 4, 2019			Total	
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2021	1.75%	\$ 174,000	\$ 12,758	1.75%	\$ 32,000	\$ 10,623	1.75%	\$ 46,333	\$ 18,809	\$ 252,333	\$ 42,190
2022	1.75%	179,000	9,713	1.75%	33,000	10,063	1.75%	50,000	18,428	262,000	38,204
2023	1.75%	185,000	6,580	1.75%	34,000	9,485	1.75%	51,000	17,553	270,000	33,618
2024	1.75%	191,000	3,343	1.75%	35,000	8,890	1.75%	52,000	16,660	278,000	28,893
2025	-	-	-	1.75%	35,000	8,278	1.75%	53,000	15,750	88,000	24,028
2026-2030	-	-	-	1.75%	187,000	31,903	1.75%	280,000	64,489	467,000	96,392
2031-2035	-	-	-	1.75%	207,000	14,842	1.75%	305,000	39,114	512,000	53,956
2036-2038	-	-	-	1.75%	39,000	770	1.75%	192,867	10,378	231,867	11,148
Total		<u>\$ 729,000</u>	<u>\$ 32,394</u>		<u>\$ 602,000</u>	<u>\$ 94,854</u>		<u>\$ 1,030,200</u>	<u>\$ 201,181</u>	<u>\$ 2,361,200</u>	<u>\$ 328,429</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,914,000 in sewer revenue bonds issued in October 2003, and an additional \$736,660 of sewer revenue bonds issued in April 2015. Proceeds from the bonds provided financing for the construction of improvements and updates to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2036. Annual principal and interest payments on the bonds are expected to require a majority of net sewer receipts. The total principal and interest remaining to be paid on the bonds is \$1,331,000 and \$127,247, respectively. For the year ended June 30, 2020, total principal and interest paid and total customer net receipts were \$225,863 and \$218,613, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- Sufficient monthly transfers shall be made to the sewer revenue note sinking accounts within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,511,000 of water revenue bonds issued in October 2019. Proceeds from the bonds provided financing for a portion of the cost of planning, designing and constructing improvements and extensions to the City's municipal waterworks system. The bonds are payable solely from water customer net receipts and are payable through 2038. As of June 30, 2020, a total of \$1,092,200 had been drawn down on the bonds. For the current year, principal and interest paid and total customer net receipts were \$71,384 and \$(79,990), respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the enterprise activity and bond holders hold a lien on the future earnings of the fund.
- Sufficient monthly transfers shall be made to separate water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- User rates shall be established at a level which produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

City of Sumner – Notes to the Financial Statements

(3) Bonds and Loans Payable

Interfund Loans

During the year ended June 30, 2020, interfund loan principal and interest totaling \$60,214 and \$0, respectively were paid and the ending balance was \$28,790. The remaining loan balance will to be repaid from collections of tax increment financing receipts.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

City of Sumner – Notes to the Financial Statements

(4) Pension Plan

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$62,143.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$365,876 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0063184%, which was an decrease of 0.000204% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$86,699, \$76,494 and \$95,672, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

City of Sumner – Notes to the Financial Statements

(4) Pension Plan

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	5.60%
International Equity	15.0	6.08
Global Smart Beta Equity	3.0	5.82
Core Plus Fixed Income	27.0	1.71
Public Credit	3.5	3.32
Public Real Assets	7.0	2.81
Cash	1.0	(0.21)
Private Equity	11.0	10.13
Private Real Assets	7.5	4.76
Private Credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 750,739	\$ 365,876	\$ 43,183

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

City of Sumner – Notes to the Financial Statements

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$149,293 and plan members eligible for benefits contributed \$26,401 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by City of Sumner and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants are eligible to participate at their own expense and must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2020, there were 15 active and no retired members covered by the benefit terms.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is accumulated for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation leave payable to employees at June 30, 2020, primarily relating to the General Fund, was \$20,000. This liability has been computed based on rates of pay in effect at June 30, 2020.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	
	Local Option Sales Tax	\$ 58,886
	Housing Rehab Project	4,093
	Capital Projects	
	Detention Basin	230,235
	Project REACH	11,757
	Enterprise	
	Water	7,584
	Sewer	7,500
	Sanitation	<u>7,500</u>
		<u>327,555</u>
Capital Projects	Special Revenue	
	Local Option Sales Tax	<u>227,797</u>
2017 Flood		
	Local Option Sales Tax	60,441
Detention Basin	Enterprise	
	Water	<u>1,000</u>
		<u>61,441</u>

City of Sumner – Notes to the Financial Statements

(7) Interfund Transfers

Transfer To	Transfer From	Amount
Debt Service	Enterprise Water	<u>17,211</u>
Enterprise Water	General Capital Projects Detention Basin	400 <u>82,500</u> <u>82,900</u>
Sewer	Enterprise Water	<u>1,789</u>
Total		<u>\$ 718,693</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Sumner is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Conduit Debt Obligations

The City has issued hospital facility project bonds to provide interim financing for a portion of the costs of acquiring, constructing, equipping and furnishing a replacement hospital, including ancillary parking areas, landscaping and associated site work and buildings and to refund previous issues of Hospital Revenue Bonds. The bonds are payable solely from and secured by the proceeds of the completion bonds, payments, revenue and other amounts derived from the Hospital and do not constitute liabilities of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2020, there were two series of hospital facility project bonds outstanding with an aggregate principal amount payable of \$16,168,912.

The City has also issued electric revenue capital loan notes for the purpose of paying the costs of improvements and extensions to the municipal electric utility plant. The bond and related interest are payable solely from the revenue derived from the project and the bond and interest do not constitute liabilities of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2020, there were two series of electric revenue capital loan notes outstanding, with an aggregate principal amount payable of \$9,725,000.

City of Sumner – Notes to the Financial Statements

(10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$40,690 of property tax was diverted from the City under urban renewal and economic development agreements.

Tax Abatements of Other Entities

Property tax revenues of the City were not reduced for the year ended June 30, 2020 as a result of any agreements entered into by other entities.

(11) Development and Incentive Agreements

The City has entered into a development agreement with Cobblestone Holdings, LLC (developer) for the construction of an assisted living facility with a minimum assessed value of \$2.6 million. The City agreed to pay the developer an amount not to exceed \$150,000 subject to annual appropriation by the City Council. The agreement requires up to ten semi-annual payments, provided the developer is in compliance with terms of the agreement. The City paid \$20,978 to the developer in property tax rebates and the remaining balance was \$100,232 as of June 30, 2020.

The City has entered into an incentive agreement with Turf and Landscape (employer) providing incentive payments for up to 15 certified employees who are certified during the calendar years 2018 – 2021, and a 100% property tax rebate for the first five years up to a maximum total benefit of \$35,000 of tax rebated. For the year ended June 30, 2020, the City paid total incentives and a tax rebate of \$4,000 and \$48, respectively.

(12) Commitments

During the year ended June 30, 2020, the City Council approved contracts totaling approximately \$3 million for the construction of water main improvements, a detention basin project and a demolition program on flood damaged properties. Approximately \$1.7 million was paid during the year ended June 30, 2020, and approximately \$1.3 million will be completed and paid during the year ended June 30, 2021.

(13) Subsequent Events

Management has evaluated subsequent events through December 17, 2020, the date the financial statements were available to be issued.

City of Sumner – Notes to the Financial Statements

(14) Contingency

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local regional and national economies, including that of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City's operations and finances.

Other Information

City of Sumner - Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts						
Property tax	\$ 876,171	\$ -	\$ 876,171	\$ 862,758	\$ 862,756	\$ 13,415
Tax increment financing	91,433	-	91,433	89,004	89,004	2,429
Other city tax	235,544	-	235,544	208,201	208,201	27,343
Licenses and permits	21,005	-	21,005	12,000	12,000	9,005
Use of money and property	21,682	2,768	24,450	8,150	18,150	6,300
Intergovernmental	790,559	-	790,559	762,321	792,321	(1,762)
Charges for services	84,558	1,018,435	1,102,993	1,053,825	1,119,825	(16,832)
Miscellaneous	200,138	31,942	232,080	10,000	10,000	222,080
Total Receipts	2,321,090	1,053,145	3,374,235	3,006,259	3,112,257	261,978
Disbursements						
Public safety	398,806	-	398,806	374,650	424,650	25,844
Public works	435,893	-	435,893	306,600	405,600	(30,293)
Culture and recreation	443,977	-	443,977	424,575	675,575	231,598
Community and economic development	820,755	-	820,755	77,500	77,500	(743,255)
General government	406,221	-	406,221	340,150	385,150	(21,071)
Debt service	64,145	-	64,145	114,010	114,010	49,865
Capital Projects	2,080,643	-	2,080,643	275,000	2,695,000	614,357
Business type activities	-	1,061,280	1,061,280	818,425	997,425	(63,855)
Total Disbursements	4,650,440	1,061,280	5,711,720	2,730,910	5,774,910	63,190
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,329,350)	(8,135)	(2,337,485)	275,349	(2,662,653)	325,168
Other financing sources, net	4,295,676	70,559	4,366,235	-	5,449,000	(1,082,765)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	1,966,326	62,424	2,028,750	275,349	2,786,347	(757,597)
Balances Beginning of Year	1,789,381	462,395	2,251,776	2,363,603	2,363,603	(111,827)
Balances End of Year	\$ 3,755,707	\$ 524,819	\$ 4,280,526	\$ 2,638,952	\$ 5,149,950	\$ (869,424)

See accompanying independent auditor’s report.

City of Sumner – Notes to Other Information – Budgetary Reporting
June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,044,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government and business type activities functions.

City of Sumner - Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
 Other Information

For the Last Six Years*

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability.....	0.0063184%	0.0065225%	0.0061866%	0.0061693%	0.0055998%	0.0053292%
City's proportionate share of the net pension liability.....	\$ 365,876	\$ 412,758	\$ 409,534	\$ 385,992	\$ 275,946	\$ 211,517
City's covered payroll.....	\$ 646,453	\$ 632,998	\$ 581,885	\$ 583,058	\$ 547,821	\$ 516,310
City's proportionate share of the net pension liability as a percentage of its coverd payroll.....	56.60%	65.21%	70.38%	66.20%	50.37%	40.97%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Sumner - Schedule of City Contributions
Iowa Public Employees' Retirement System
Other Information

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Satutorily required contribution ...	\$ 62,143	\$ 62,174	\$ 57,818	\$ 53,150	\$ 53,496	\$ 50,607	\$ 47,550	\$ 45,526	\$ 43,518	\$ 39,576
Contributions in relation to the statutorily required contributions	<u>(62,143)</u>	<u>(62,174)</u>	<u>(57,818)</u>	<u>(53,150)</u>	<u>(53,496)</u>	<u>(50,607)</u>	<u>(47,550)</u>	<u>(45,526)</u>	<u>(43,518)</u>	<u>(39,576)</u>
Contribution Deficiency (Excess)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
City's covered payroll.....	\$ 650,173	\$ 646,453	\$ 632,998	\$ 581,885	\$ 583,058	\$ 547,821	\$ 516,310	\$ 521,782	\$ 505,829	\$ 514,231
Contributions as a percentage of covered payroll.....	9.56%	9.62%	9.13%	9.13%	9.18%	9.24%	9.21%	8.73%	8.60%	7.70%

See accompanying independent auditor's report.

City of Sumner - Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms

There are no significant changes in benefit terms.

Changes of assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Sumner - Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue					Capital Projects	Permanent Cemetery	
	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Housing Rehab Project	Debt Service	Project REACH	Perpetual Care	Total
Receipts								
Property tax	\$ -	\$ 195,546	\$ -	\$ -	\$ 46,811	\$ -	\$ -	\$ 242,357
Tax increment financing	-	-	91,433	-	-	-	-	91,433
Use of money and property	-	-	-	-	-	117	628	745
Intergovernmental	260,676	-	-	-	-	-	-	260,676
Miscellaneous	-	-	-	-	-	-	2,000	2,000
Total Receipts	260,676	195,546	91,433	-	46,811	117	2,628	597,211
Disbursements								
Operating:								
Public safety	-	68,589	-	-	-	-	-	68,589
Public works	338,036	58,852	-	-	-	-	-	396,888
Culture and recreation	-	61,638	-	-	-	-	775	62,413
General government	-	49,305	-	-	-	-	-	49,305
Debt service	-	-	-	-	64,145	-	-	64,145
Total Disbursements	338,036	238,384	-	-	64,145	-	775	641,340
Excess (Deficiency) of Receipts Over (Under) Disbursements	(77,360)	(42,838)	91,433	-	(17,334)	117	1,853	(44,129)
Other Financing Sources (Uses)								
Interfund loan payment	-	-	(60,214)	-	-	-	-	(60,214)
Transfers in	-	-	-	-	17,211	-	-	17,211
Transfers out	-	-	-	(4,093)	-	(11,757)	-	(15,850)
Total Other Financing Sources (Uses)	-	-	(60,214)	(4,093)	17,211	(11,757)	-	(58,853)
Change in Cash Balances	(77,360)	(42,838)	31,219	(4,093)	(123)	(11,640)	1,853	(102,982)
Cash Balances Beginning of Year	139,578	314,357	51,882	4,093	10,822	11,640	74,433	606,805
Cash Balances End of Year	\$ 62,218	\$ 271,519	\$ 83,101	\$ -	\$ 10,699	\$ -	\$ 76,286	\$ 503,823
Cash Basis Fund Balances								
Non-spendable - Cemetary perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,286	\$ 76,286
Restricted for:								
Debt service	-	-	-	-	10,699	-	-	10,699
Streets	62,218	-	-	-	-	-	-	62,218
Urban renewal	-	-	83,101	-	-	-	-	83,101
Other purposes	-	271,519	-	-	-	-	-	271,519
Total Cash Basis Fund Balances	\$ 62,218	\$ 271,519	\$ 83,101	\$ -	\$ 10,699	\$ -	\$ 76,286	\$ 503,823

See accompanying independent auditor’s report

City of Sumner - Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Enterprise Funds

As of and for the year ended June 30, 2020

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Operating Receipts:			
Charges for Service	<u>\$ 227,163</u>	<u>\$ 72,040</u>	<u>\$ 299,203</u>
Operating Disbursements:			
Business Type Activities	<u>178,053</u>	<u>2,311</u>	<u>180,364</u>
Excess of Operating Receipts Over Operating Disbursements	49,110	69,729	118,839
Non-Operating Receipts			
Miscellaneous	<u>24,042</u>	<u>-</u>	<u>24,042</u>
Excess of Receipts Over Disbursements	73,152	69,729	142,881
Transfers out	<u>(7,500)</u>	<u>-</u>	<u>(7,500)</u>
Change in Cash Balances	65,652	69,729	135,381
Cash Balances Beginning of Year	<u>80,305</u>	<u>-</u>	<u>80,305</u>
Cash Balances End of Year	<u>\$ 145,957</u>	<u>\$ 69,729</u>	<u>\$ 215,686</u>
Cash Basis Fund Balances			
Unassigned	<u>\$ 145,957</u>	<u>\$ 69,729</u>	<u>\$ 215,686</u>

See accompanying independent auditor's report

City of Sumner - Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds								
Corporate purpose, series 2015	October 21, 2015	1.80 - 2.40%	\$ 550,000	\$ 400,000	\$ -	\$ 55,000	\$ 345,000	\$ 8,045
Urban renewal, series 2020A	March 31, 2020	2.00%	2,000,000	-	2,000,000	-	2,000,000	-
Corporate purpose, series 2020B	March 31, 2020	1.20 - 2.00%	730,000	-	730,000	-	730,000	-
Total General Obligation Bonds				400,000	2,730,000	55,000	3,075,000	8,045
Community Disaster Loans								
SMLP	September 18, 2017	0.00%	1,000,000	900,000	-	50,000	850,000	-
FEMA	January 10, 2020	0.00%	499,695	-	499,695	-	499,695	-
Total Community Disaster Loans				900,000	499,695	50,000	1,349,695	-
Revenue Bonds								
Sewer	October 27, 2003	1.75%	\$ 3,100,000	897,000	-	168,000	729,000	15,698
Sewer	April 8, 2016	1.75%	736,660	633,000	-	31,000	602,000	11,165
Water	October 4, 2019	1.75%	1,161,333	-	1,092,200	62,000	1,030,200	9,384
Total Revenue Bonds				1,530,000	1,092,200	261,000	2,361,200	36,247
Internal Loans				89,004	-	60,214	28,790	-
				\$2,919,004	\$4,321,895	\$ 426,214	\$6,814,685	\$ 44,292

See accompanying independent auditor’s report.

City of Sumner - Bond Maturities

June 30, 2020

Year Ending June 30,	General Obligation Bonds					
	Corporate Purpose, Series 2015			Urban Renewal, 2020A		
	Issued October 21, 2015			Issued March 31, 2020		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2021	1.80%	\$ 55,000	\$ 7,275	2.00%	\$ 115,000	\$ 46,778
2022	1.80%	55,000	6,285	2.00%	125,000	37,700
2023	2.10%	55,000	5,295	2.00%	125,000	35,200
2024	2.10%	60,000	4,140	2.00%	130,000	32,700
2025	2.40%	60,000	2,880	2.00%	135,000	30,100
2026	2.40%	60,000	1,440	2.00%	135,000	27,400
2027		-	-	2.00%	140,000	24,700
2028		-	-	2.00%	145,000	21,900
2029		-	-	2.00%	150,000	19,000
2030		-	-	2.00%	150,000	16,000
2031		-	-	2.00%	155,000	13,000
2032		-	-	2.00%	160,000	9,900
2033		-	-	2.00%	165,000	6,700
2034		-	-	2.00%	170,000	3,400
Total		<u>\$ 345,000</u>	<u>\$ 27,315</u>		<u>\$ 2,000,000</u>	<u>\$ 324,478</u>

Year Ending June 30,	General Obligation Bonds				
	Corporate Purpose, 2020B			Total	
	Issued March 31, 2020				
	Interest Rate	Principal	Interest	Principal	Interest
2021	1.20%	\$ -	\$ 14,302	\$ 170,000	\$ 68,355
2022	1.20%	55,000	12,230	235,000	56,215
2023	1.20%	55,000	11,570	235,000	52,065
2024	1.30%	55,000	10,910	245,000	47,750
2025	1.30%	55,000	10,195	250,000	43,175
2026	1.40%	60,000	9,480	255,000	38,320
2027	1.40%	60,000	8,640	200,000	33,340
2028	2.00%	60,000	7,800	205,000	29,700
2029	2.00%	60,000	6,600	210,000	25,600
2030	2.00%	65,000	5,400	215,000	21,400
2031	2.00%	65,000	4,100	220,000	17,100
2032	2.00%	70,000	2,800	230,000	12,700
2033	2.00%	70,000	1,400	235,000	8,100
2034		-	-	170,000	3,400
Total		<u>\$ 730,000</u>	<u>\$ 105,427</u>	<u>\$ 3,075,000</u>	<u>\$ 457,220</u>

See accompanying independent auditor's report.

City of Sumner - Bond Maturities

June 30, 2020

Revenue Bonds							
Year Ending June 30,	Sewer Revenue, Series 2003			Sewer Revenue, Series 2016			
	Issued October 27, 2003			Issued April 8, 2016			
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	
2021	1.75%	\$ 174,000	\$ 12,758	1.75%	\$ 32,000	\$ 10,623	
2022	1.75%	179,000	9,713	1.75%	33,000	10,063	
2023	1.75%	185,000	6,580	1.75%	34,000	9,485	
2024	1.75%	191,000	3,343	1.75%	35,000	8,890	
2025		-	-	1.75%	35,000	8,278	
2026		-	-	1.75%	36,000	7,665	
2027		-	-	1.75%	37,000	7,035	
2028		-	-	1.75%	37,000	6,388	
2029		-	-	1.75%	38,000	5,740	
2030		-	-	1.75%	39,000	5,075	
2031		-	-	1.75%	40,000	4,393	
2032		-	-	1.75%	41,000	3,693	
2033		-	-	1.75%	41,000	2,975	
2034		-	-	1.75%	42,000	2,258	
2035		-	-	1.75%	43,000	1,523	
2036		-	-	1.75%	39,000	770	
Total		\$ 729,000	\$ 32,394		\$ 602,000	\$ 94,854	

Revenue Bonds						
Year Ending June 30,	Water Revenue, Series 2019					
	Issued October 4, 2019					
	Interest Rate	Principal	Interest	Total		
				Principal	Interest	
2021	1.75%	\$ 46,333	\$ 18,809	\$ 252,333	\$ 42,190	
2022	1.75%	50,000	18,428	262,000	38,204	
2023	1.75%	51,000	17,553	270,000	33,618	
2024	1.75%	52,000	16,660	278,000	28,893	
2025	1.75%	53,000	15,750	88,000	24,028	
2026	1.75%	54,000	14,823	90,000	22,488	
2027	1.75%	55,000	13,878	92,000	20,913	
2028	1.75%	56,000	12,915	93,000	19,303	
2029	1.75%	57,000	11,935	95,000	17,675	
2030	1.75%	58,000	10,938	97,000	16,013	
2031	1.75%	59,000	9,923	99,000	14,316	
2032	1.75%	60,000	8,890	101,000	12,583	
2033	1.75%	61,000	7,840	102,000	10,815	
2034	1.75%	62,000	6,773	104,000	9,031	
2035	1.75%	63,000	5,688	106,000	7,211	
2036	1.75%	64,000	4,585	103,000	5,355	
2037	1.75%	65,000	3,465	65,000	3,465	
2038	1.75%	63,867	2,328	63,867	2,328	
Total		\$ 1,030,200	\$ 201,181	\$ 2,361,200	\$ 328,429	

See accompanying independent auditor's report.

City of Sumner - Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$ 876,171	\$ 891,301	\$ 930,712	\$ 944,342	\$ 841,871	\$ 804,846	\$ 774,247	\$ 694,692	\$ 676,255	\$ 655,032
Tax increment financing	91,433	61,128	77,770	87,638	63,692	84,551	72,366	111,451	64,156	67,277
Other city tax	235,544	203,308	194,719	195,248	187,912	199,546	186,479	179,508	186,051	182,789
Licenses and permits	21,005	22,264	8,969	5,756	18,692	6,586	5,565	9,271	8,375	5,396
Use of money and property	21,682	21,958	12,533	8,307	10,081	6,957	6,582	4,518	7,410	11,474
Intergovernmental	790,559	296,442	558,479	301,085	317,739	263,101	362,877	323,696	378,148	251,378
Charges for services	84,558	69,745	74,781	72,745	52,538	42,266	43,297	42,250	51,725	44,535
Miscellaneous	200,138	232,459	231,240	188,071	264,870	97,294	100,272	179,864	109,073	105,662
Total Receipts	\$2,321,090	\$1,798,605	\$2,089,203	\$1,803,192	\$1,757,395	\$1,505,147	\$1,551,685	\$1,545,250	\$1,481,193	\$1,323,543
Disbursements:										
Operating:										
Public safety	\$ 398,806	\$ 314,204	\$ 396,433	\$ 294,867	\$ 365,212	\$ 302,575	\$ 364,349	\$ 391,980	\$ 373,595	\$ 321,623
Public works	435,893	469,862	220,733	270,699	233,849	223,758	276,981	364,138	246,301	322,910
Culture and recreation	443,977	537,715	430,028	400,697	378,837	396,384	428,093	411,075	389,894	351,022
Community and economic development	820,755	140,635	140,544	92,606	28,000	36,000	29,581	193,643	172,491	7,372
General government	406,221	402,563	313,566	313,146	327,292	265,186	236,702	213,794	180,112	161,679
Debt service	64,145	139,925	190,935	141,105	86,406	80,600	138,795	239,030	159,263	365,597
Capital projects	2,080,643	455,380	1,187,294	-	821,131	-	-	-	-	-
Total Disbursements	\$4,650,440	\$2,460,284	\$2,879,533	\$1,513,120	\$2,240,727	\$1,304,503	\$1,474,501	\$1,813,660	\$1,521,656	\$1,530,203

See accompanying independent auditor’s report.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Honorable Mayor and
Members of the City Council
City of Sumner

I have audited in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sumner, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated December 17, 2020. Because the financial statements do not include data for the City's legally separate entity, Sumner Municipal Light Plant, my report expressed a qualified opinion on the aggregate discretely presented component unit and unmodified opinions on the financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Sumner's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sumner's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Sumner's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sumner's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part II of the accompanying schedule of findings as item II-A-20 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sumner's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matter which are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying schedule of findings.


Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Sumner's Responses to the Findings

The City of Sumner's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Sumner's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RACHELLE K. THOMPSON, CPA

Hampton, Iowa
December 17, 2020

City of Sumner – Schedule of Findings

June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) With the exception of the qualified opinion on the aggregate discretely presented component unit due to the omission of the Sumner Municipal Light Plant, unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which was material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY

II-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Auditor's Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

City's Response – We will consider this and attempt to segregate duties where possible.

Auditor's Conclusion – Response accepted.

City of Sumner – Schedule of Findings

June 30, 2020

Part III: Other Findings Related to Required Statutory Reporting

III-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public works, community and economic development, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Auditor’s Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City’s Response – The budget will be amended as required.

Auditor’s Conclusion – Response accepted.

III-B-20 Questionable Disbursements – No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-20 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-20 Business Transactions – There were no business transactions between the City and City officials or employees.

III-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

III-F-20 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-G-20 City Council Minutes – No transactions were found that I believe should have been approved in the City Council minutes but were not.

III-H-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

III-I-20 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

III-J-20 Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.

III-K-20 Transfers – All interfund transfers made on or after April 17, 2019 should be approved by a fund transfer resolution which includes a clear statement of the reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is being received and the dollar amount being transferred in accordance with Iowa Administrative Code Section 545-2.1.

City of Sumner – Schedule of Findings

June 30, 2020

In testing transfers, the following were noted:

1. Several transfers were not approved by resolution.
2. Resolution 567 authorized a transfer from the Special Revenue, Local Option Sales Tax Fund to the Capital Projects, 2017 Flood Fund, however the transfer made was \$631.38 less than the approved resolution.
3. Resolution 588 authorized a \$230,234.88 transfer from the Capital Projects, Detention Basin Fund to the Special Revenue, Road Use Tax Fund, however the transfer was made to the General Fund.

Auditor's Recommendation – The City should approval all interfund transfers by resolution. The City should also review Resolution 567 and transfer the additional \$631.38, if necessary. In addition, the City should correct the transfer authorized by Resolution 588 and correctly transfer \$230,234.88 out of the General Fund to the Special Revenue, Road Use Tax Fund.

City's Response – We will review Resolutions 567 and Resolution 588 and make the appropriate corrections to transfers, if necessary.

Auditor's Conclusion – Response accepted.